

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Surrey Township	County Clare
Audit Date 6/30/05	Opinion Date 8/3/05	Date Accountant Report Submitted to State: 12/13/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Yeo & Yeo, CPA's and Business Consultants			
Street Address 6018 Eastmen Ave.		City Midland	State MI
Accountant Signature 		ZIP 48640	Date 12/9/05

SURREY TOWNSHIP
Clare County, Michigan
Annual Financial Statements
and
Auditors' Report
June 30, 2005

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SURREY TOWNSHIP
List of Elected and Appointed Officials
June 30, 2005

TOWNSHIP BOARD

RUSSELL HAMILTON	SUPERVISOR
CHRISTINA EVERITT	CLERK
ESTHER PITCHFORD	TREASURER
NANCY JONES	TRUSTEE
CAROL DIXON	TRUSTEE



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Midland, MI 48640
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Independent Auditors' Report

To the Members of the Township Board
Surrey Township
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Surrey Township as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Surrey Township as of June 30, 2005 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 3, 2005, on our consideration of Surrey Township's internal control over financial reporting and on our tests of its provisions of laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Surrey Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Midland, Michigan

August 3, 2005

**Surrey Township
Management's Discussion and Analysis
Year Ended June 30, 2005**

Surrey Township (the "Township"), Michigan is in its second year of implementation of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's management's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Overview of Financial Statements

The annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide Financial Statements:

The Government-wide statements provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

Surrey Township Management's Discussion and Analysis Year Ended June 30, 2005

expenditures, and changes in fund balances for the general, library, fire protection, and rubbish collection funds, each of which are considered to be a major fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Township's major funds.

SUMMARY OF NET ASSETS:

Township's Net Assets

The following summarizes the Township's net assets at fiscal year ended June 30, 2005.

	Year Ended June 30, 2005	Year Ended June 30, 2004
Assets		
Current assets	\$ 896,739	\$ 824,589
Capital assets	2,403,455	2,388,920
Less accumulated depreciation	(1,047,044)	(961,306)
Total capital assets	1,356,411	1,427,614
Total assets	2,253,150	2,252,203
Liabilities		
Current liabilities	67,351	146,046
Long-term liabilities	349,495	324,239
Total liabilities	416,846	470,285
Net assets		
Investment in capital assets, net of related debt	1,010,173	1,193,692
Restricted for debt service	43,222	8,199
Unrestricted	782,909	580,027
Total net assets	<u>\$ 1,836,304</u>	<u>\$ 1,781,918</u>

During the fiscal year ended June 30, 2005, the Township's net assets increased by \$54,386.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Surrey Township, assets exceeded liabilities by \$1,836,304.

**Surrey Township
Management's Discussion and Analysis
Year Ended June 30, 2005**

A portion of the Township's net assets (55%) reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township's Changes in Net Assets

Revenues:

	Year Ended June 30, 2005	Year Ended June 30, 2004
Program revenue		
Charges for services	\$ 198,631	\$ 98,376
Operating grants and contributions	1,072	47,106
Capital grants and contributions	-	68,000
General revenue:		
Property taxes	429,470	403,132
Special assessments	84,096	186,439
State share revenue	202,776	212,268
Interest and investment earnings	8,418	17,267
Miscellaneous	4,885	8,846
Total Revenues	<u>929,348</u>	<u>1,041,434</u>

Expenses:

	Year Ended June 30, 2005	Year Ended June 30, 2004
General government	\$ 208,445	\$ 198,873
Public safety	10,873	-
Public works	107,522	180,396
Library	220,993	265,302
Fire protection	168,019	236,965
Rubbish collection	84,357	79,363
Interest on long-term debt	15,247	11,907
Other	<u>59,506</u>	<u>124,047</u>
Total expenses	<u>874,962</u>	<u>1,096,853</u>
Change in net assets	54,386	(55,419)
Net assets - beginning	<u>1,781,918</u>	<u>1,837,337</u>
Net assets - ending	<u><u>\$ 1,836,304</u></u>	<u><u>\$ 1,781,918</u></u>

Governmental activities

The Township's total governmental revenue decreased by \$112,806 from last fiscal year. This was primarily attributed to decrease in property taxes revenue of \$26,338 and no grants received in 2005. During 2004 the Township received two grants totaling \$115,106. One was used for remodeling and furnishing two rooms in the library and a second grant used for purchase of fire equipment. Expenses decreased by approximately \$472,580. In 2004 the Township refinanced loan for fire truck with different bank, which resulted in \$258,917 in expenses. Public works expenses decreased \$80,722, which was due to less work done on roads. The remainder of the difference is attributable to decrease in operating costs.

**Surrey Township
Management's Discussion and Analysis
Year Ended June 30, 2005**

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$838,118, an increase of \$32,649 in comparison with the prior year. Approximately 95% of this amount (\$794,896) constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for debt service.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$338,440. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 103% of total general fund expenditures.

The fund balance of the General Fund decreased by \$15,861 during the current fiscal year, which is lower decrease when compared to prior year decrease of \$112,895. This is primarily attributable to decrease in expenses to Clare County Road Commission for roads repairs and maintenance.

The fund balance of the Library Fund increased by \$9,905 during the current fiscal year, which is attributable to overall spending control.

The fund balance of the Fire Protection Fund increased by \$33,164 during the current fiscal year, which was due to decrease in repair and maintenance cost and equipment purchases, which amounted to approximately \$55,000.

The fund balance of the Rubbish Collection Fund increased by \$27,178 during the current fiscal year, which is comparable to prior year increase.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Differences between the original and final amended budgets were relatively minor.

Capital Assets and Debt Administration

Capital Assets

The Townships investment in capital assets for its governmental activities as of June 30, 2005, amounted to \$1,356,411 (net of accumulated depreciation). Investment in capital assets included land, buildings, and equipment.

**Surrey Township
Management's Discussion and Analysis
Year Ended June 30, 2005**

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Capital assets not being depreciated				
Land	\$ 74,870	\$ -	\$ -	\$ 74,870
Capital assets being depreciated				
Land improvements	3,000	-	-	3,000
Buildings and improvements	1,160,437	6,002	-	1,166,439
Furniture and equipment	442,892	8,533	-	451,425
Vehicles	707,721	-	-	707,721
Capital assets	2,388,920	14,535	-	2,403,455
Less:				
Accumulated depreciation	(961,306)	(85,738)	-	(1,047,044)
Governmental activities capital assets, net	<u>\$ 1,427,614</u>	<u>\$ (71,203)</u>	<u>\$ -</u>	<u>\$ 1,356,411</u>

Long-term Debt

At the end of the current fiscal year, the Township had total long-term debt outstanding of \$349,495.

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
Special assessment bonds	\$ 207,869	\$ -	\$ -	\$ 207,869
Notes payable	180,709	-	39,083	141,626
	<u>\$ 388,578</u>	<u>\$ -</u>	<u>\$ 39,083</u>	<u>\$ 349,495</u>

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Township's budget for the 2005-2006 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in economy. For 2004-2005, the Township received \$202,776 in state shared revenue, representing 62% of the revenue in the General Fund. The amounts of the state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Request for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township Clerk's office at Surrey Township, Clare County, Michigan.

Township of Surrey
Statement of Net Assets
June 30, 2005

Assets	
Current assets	
Cash and cash equivalents	\$ 729,466
Certificates of deposit	105,445
Due from other governmental units	36,985
Prepaid expenditures	24,843
Total current assets	<u>896,739</u>
Noncurrent assets	
Capital assets	
Land	74,870
Land improvements	3,000
Buildings and improvements	1,166,439
Equipment and furniture	451,425
Vehicles	707,721
Less: accumulated depreciation	<u>(1,047,044)</u>
Total noncurrent assets	<u>1,356,411</u>
Total assets	<u>2,253,150</u>
Liabilities	
Current liabilities	
Accounts payable	58,621
Accrued interest	8,730
Total current liabilities	<u>67,351</u>
Noncurrent liabilities	
Due within one year	70,608
Due in more than one year	<u>278,887</u>
Total liabilities	<u>416,846</u>
Net Assets	
Invested in capital assets, net of related debt	1,006,916
Restricted for:	
Debt service	43,222
Unrestricted	<u>786,166</u>
Total net assets	<u>\$ 1,836,304</u>

See Accompanying Notes to Financial Statements

Township of Surrey
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 208,445	\$ 13,319	\$ -	\$ -	\$ (195,126)
Public safety	10,873	-	-	-	(10,873)
Public works	107,522	45,986	-	38,110	(23,426)
Library	220,993	47,038	-	-	(173,955)
Fire protection	168,019	32,749	1,072	-	(134,198)
Rubbish collection	84,357	105,525	-	-	21,168
Interest on long-term debt	15,247	-	-	-	(15,247)
Other	59,506	-	-	-	(59,506)
Total governmental activities	<u>\$ 874,962</u>	<u>\$ 244,617</u>	<u>\$ 1,072</u>	<u>\$ 38,110</u>	<u>(591,163)</u>
General revenues					
Property taxes, levied for general purposes					429,470
State shared revenue					202,776
Interest and investment earnings					8,418
Miscellaneous					<u>4,885</u>
Total general revenues and transfers					<u>645,549</u>
Change in net assets					<u>54,386</u>
Net assets - beginning					1,756,664
Prior period adjustment					<u>25,254</u>
Net assets - beginning of year (restated)					<u>1,781,918</u>
Net assets - ending					<u>\$ 1,836,304</u>

See Accompanying Notes to Financial Statements

Township of Surrey
Balance Sheet
Governmental Funds
June 30, 2005

	General	Library	Fire Protection	Rubbish Collection	Other Governmental Funds	Governmental Funds
Assets						
Cash and cash equivalents	\$ 195,963	\$ 139,726	\$ 130,492	\$ 154,541	\$ 108,744	\$ 729,466
Certificates of deposit	105,445	-	-	-	-	105,445
Due from other governmental units	32,956	4,029	-	-	-	36,985
Due from other funds	416	-	-	-	-	416
Prepaid expenses	8,504	350	14,996	993	-	24,843
Total assets	<u>\$ 343,284</u>	<u>\$ 144,105</u>	<u>\$ 145,488</u>	<u>\$ 155,534</u>	<u>\$ 108,744</u>	<u>\$ 897,155</u>
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ 4,844	\$ -	\$ 3,798	\$ 23,958	\$ 26,021	\$ 58,621
Due to other funds	-	416	-	-	-	416
Total current liabilities	<u>4,844</u>	<u>416</u>	<u>3,798</u>	<u>23,958</u>	<u>26,021</u>	<u>59,037</u>
Fund Balance						
Reserved for debt service	-	-	-	-	43,222	43,222
Unreserved	<u>338,440</u>	<u>143,689</u>	<u>141,690</u>	<u>131,576</u>	<u>39,501</u>	<u>794,896</u>
Total fund balance	<u>338,440</u>	<u>143,689</u>	<u>141,690</u>	<u>131,576</u>	<u>82,723</u>	<u>838,118</u>
Total liabilities and fund balance	<u>\$ 343,284</u>	<u>\$ 144,105</u>	<u>\$ 145,488</u>	<u>\$ 155,534</u>	<u>\$ 108,744</u>	<u>\$ 897,155</u>

See Accompanying Notes to Financial Statements

Township of Surrey
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
For the Year Ended June 30, 2005

Total fund balances for governmental funds \$ 838,118

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Those assets consist of:

Land	\$	74,870	
Land improvements		3,000	
Buildings and additions		1,166,439	
Equipment and furniture		451,425	
Vehicles		707,721	
Less: accumulated depreciation		<u>(1,047,044)</u>	1,356,411

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Balances as of June 30, 2005 are as follows:

Accrued interest payable		(8,730)	
Bonds payable		<u>(349,495)</u>	<u>(358,225)</u>

Net assets of governmental activities \$ 1,836,304

Township of Surrey
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Library	Fire Protection	Rubbish Collection	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes and penalties	\$ 98,163	\$ 155,551	\$ 175,756	\$ -	\$ -	\$ 429,470
Licenses and permits	2,818	-	-	-	-	2,818
County penal fines	-	39,817	-	-	-	39,817
State shared revenue	192,902	8,067	-	-	1,807	202,776
Special assessments	-	-	-	-	38,110	38,110
Charges for services	10,501	7,221	32,749	105,525	45,986	201,982
Interest income	5,275	1,176	728	783	456	8,418
Donations	-	-	1,072	-	-	1,072
Other revenue	1,655	2,147	1,083	-	-	4,885
Total revenues	311,314	213,979	211,388	106,308	86,359	929,348
Expenditures						
Current						
General government	195,631	-	-	-	-	195,631
Public safety	10,873	-	-	-	-	10,873
Public works	106,674	-	-	-	-	106,674
Other	13,997	-	-	-	-	13,997
Library	-	204,074	-	-	-	204,074
Fire Protection	-	-	132,624	-	-	132,624
Rubbish collection	-	-	-	79,130	-	79,130
Surrey lake improvement	-	-	-	-	15,690	15,690
Lake 13 improvement	-	-	-	-	28,012	28,012
Sheriff's contract	-	-	-	-	1,807	1,807
Debt service						
Principal redemption	-	-	39,083	-	-	39,083
Interest	-	-	6,517	-	-	6,517
Total expenditures	327,175	204,074	178,224	79,130	45,509	834,112
Net change in fund balance	(15,861)	9,905	33,164	27,178	40,850	95,236
Fund balance - beginning	354,301	133,784	108,526	104,398	41,873	742,882
Fund balance - ending	\$ 338,440	\$ 143,689	\$ 141,690	\$ 131,576	\$ 82,723	\$ 838,118

See Accompanying Notes to Financial Statements

Township of Surrey
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	\$	95,236
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Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets greater than \$2,000 is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$	(85,738)	
Capital assets additions		14,535	(71,203)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments of long-term debt		39,083	39,083
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on bonds		(8,730)	(8,730)
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Change in net assets of governmental activities	\$	54,386
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Township of Surrey
Statement of Fiduciary Assets and Liabilities
June 30, 2005

Assets

Cash and cash equivalents	\$ <u>717</u>
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Liabilities

Due to other governmental units	\$ <u>717</u>
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Surrey Township
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Surrey Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting entity

The Township is governed by an elected five-member Board of Trustees. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate component units of the Township. The Township has no component units.

Government-wide financial statements

The Township's basic financial statements include both government-wide (reporting for the Township as a whole) and fund financial statements (reporting the Township major funds). The government-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Township's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are

available, restricted resources are applied first.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it

Surrey Township

Notes to Financial Statements

June 30, 2005

is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Library Fund is used to account for Library activities of the Township.
- The Fire Protection Fund is used to account for Fire Protection activities of the Township.
- The Rubbish Collection fund is used to account for Rubbish Collection activity of the Township.

Additionally, the Township reports the following:

Surrey Lake Improvement Fund – The Surrey Lake Improvement Fund accounts for proceeds from special assessments that are legally restricted for Surrey Lake Improvement expenditures.

Lake 13 Improvement Fund – The Lake 13 Improvement Fund accounts for proceeds from special assessments that are legally

restricted for Lake 13 Improvement expenditures.

Liquor Law Enforcement Fund – The Liquor Law Enforcement Fund accounts for proceeds from liquor law enforcement that are legally restricted for liquor law enforcement expenditures.

Lake 13 Road – The Lake 13 Fund accounts for proceeds from special assessments that are legally restricted for debt service.

Surrey Lake Road – The Surrey Lake Road Fund accounts for proceeds from special assessments that are legally restricted for debt service.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property tax revenue

Property taxes are attached as an enforceable lien on property as of December 1 and are due without penalty on or before February 28. These tax bills include the Township's own property taxes and taxes billed on behalf of the County and the school district within the Township limits. Real property taxes not collected as of March 1 are turned over to Clare County for collection, which advances the Township 100% of the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The Township acts as a collection agent for Clare County, the Farwell Area School District and the Clare Gladwin Regional Education Service District's property taxes.

Taxes collected on behalf of the school districts and Clare County are

Surrey Township

Notes to Financial Statements

June 30, 2005

turned over to the districts and the County immediately following collection and are accounted for in designated tax collection funds.

The 2004 taxable value of the government totaled \$81,971,923. The tax levy for that year was based on the following rates:

	Millage Rate Used	Authorized Millage Rate Per Township
General operating	0.6339	0.7000
Fire	2.5000	2.5000
Library operating	1.8740	2.0000
	<u>5.0079</u>	<u>5.200</u>

Assets, liabilities and net assets or equity

Cash and investments – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired. Additionally, each fund's equity in the Township's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

Investments are stated at fair value, (quoted market price or the best available estimate).

Receivables and payable – In general, outstanding balances between funds are reported as "due to/from other fund." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance

for uncollectible amounts.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include buildings and improvements, land improvements, furniture and equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

All capital assets are depreciated using the straight-line method over the following useful lives.

Land improvements	10 to 20 years
Building and building improvements	25 to 50 years
Furniture, equipment and vehicles	5 to 10 years

Long-term obligations - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Surrey Township
Notes to Financial Statements
June 30, 2005

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest rate risk – The Township does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit Risk - Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligation of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Board authorized all of the investments allowable under Michigan law.

Concentration of credit risk – The Township has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$656,907 of the Township's bank balance of \$896,625 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Surrey Township
Notes to Financial Statements
June 30, 2005

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Governmental activities				
Capital assets not being depreciated				
Land	\$ 74,870	\$ -	\$ -	\$ 74,870
Capital assets being depreciated				
Land improvements	3,000	-	-	3,000
Buildings and improvements	1,160,437	6,002	-	1,166,439
Furniture and equipment	442,892	8,533	-	451,425
Vehicles	707,721	-	-	707,721
Capital assets being depreciated	2,388,920	14,535	-	2,403,455
Less accumulated depreciation for				
Land improvements	(200)	(300)	-	(500)
Buildings and improvements	(262,716)	(24,323)	-	(287,039)
Furniture and equipment	(288,576)	(21,452)	-	(310,028)
Vehicles	(409,814)	(39,663)	-	(449,477)
Accumulated depreciation	(961,306)	(85,738)	-	(1,047,044)
Governmental activities capital assets, net	<u>\$ 1,427,614</u>	<u>\$ (71,203)</u>	<u>\$ -</u>	<u>\$ 1,356,411</u>

Depreciation expense was charged to programs of the primary government as follows:

Government activities

General government	\$ 12,814
Library	16,919
Fire protection	49,930
Public works	848
Rubbish collection	5,227
Total governmental activities	<u>\$ 85,738</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount	
General Fund	Library Fund	\$ 416	Reimbursement of expenditures paid by General Fund

Surrey Township
Notes to Financial Statements
June 30, 2005

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term debt entered into on behalf of the Surrey Lakes Special Assessment District, Lake 13 Special Assessment District and the Township's fire truck notes payable.

	Balance			Balance	Amount Due
	July 1, 2004	Additions	Reductions	June 30, 2005	Within One Year
<u>Special assessment bonds</u>					
Surrey Lake Roads due in annual installments of \$11,851 to \$16,787 through August 2009 at 5.1%	\$ 76,173	\$ -	\$ -	\$ 76,173	\$ 13,758
Lake 13 due in annual installments of \$13,973 to \$21,676 through August 2011 at 5%	131,696	-	-	131,696	16,175
<u>Notes payable</u>					
Farwell State Bank Fire Truck Loan due in annual installments of \$14,562 to \$44,057 through October 2008 at 4.00%	180,709	-	39,083	141,626	40,675
	<u>\$ 388,578</u>	<u>\$ -</u>	<u>\$ 39,083</u>	<u>\$ 349,495</u>	<u>\$ 70,608</u>

Future principal and interest requirements for the special assessment bonds to be paid out of the debt retirement fund are as follows:

Year Ended June 30,	Principal	Interest	Total
2006	\$ 29,933	\$ 10,470	\$ 40,403
2007	31,444	8,959	40,403
2008	33,030	7,373	40,403
2009	34,697	5,706	40,403
2010	36,448	3,955	40,403
2011-2013	42,317	3,200	45,517
	<u>\$ 207,869</u>	<u>\$ 39,663</u>	<u>\$ 247,532</u>

Future principal and interest requirements for the notes payable to be paid out of the fire fund are as follows:

Year Ended June 30,	Principal	Interest	Total
2006	\$ 40,675	\$ 4,925	\$ 45,600
2007	42,332	3,268	45,600
2008	44,057	1,543	45,600
2009	14,562	119	14,681
	<u>\$ 141,626</u>	<u>\$ 9,855</u>	<u>\$ 151,481</u>

NOTE 7 - RISK MANAGEMENT

The Township purchases commercial insurance to provide workers' compensation insurance, general liability, and property insurance. The Township also purchases commercial health insurance to cover health expenses for certain eligible employees. There were no significant reductions in insurance coverage from the prior year. Settlements from insurance providers have not exceeded insurance coverage for any of the past three years.

Surrey Township
Notes to Financial Statements
June 30, 2005

NOTE 8 - ECONOMIC DEPENDENCY

The Township received approximately 62% of their General Fund revenue from the Michigan Department of Treasury. Due to the significance of this revenue source, the Township is considered to be economically dependent on the Michigan Department of Treasury.

NOTE 9 - ZONING AND ENFORCEMENT

The State of Michigan requires local governmental units to restrict any surpluses during a year for zoning administration activities. The surpluses are to be carried over to subsequent years to fund future activity. Surrey Township had no surplus during the year ended June 30, 2005.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township contributes to a defined contribution retirement plan which covers all members of the Township Board. The amount of contributions is based upon the length of service and amounts of compensation earned. The contributions amounted to \$8,170 and \$7,280 for the years ended June 30, 2005 and 2004, respectively. Payment to the plan represents the only liability of the Township.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2005, the Township discovered an error made in a prior period. The Township's long term debt outstanding was incorrectly stated for the year ended June 30, 2004. Adjustment related to correcting the error decreased principal amount outstanding by \$25,254 resulting in a increase in net assets of \$25,254 as of June 30, 2004.

Township of Surrey
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
Revenues				
Taxes	\$ 63,756	\$ 63,756	\$ 98,163	\$ 34,407
License and permits	2,300	2,300	2,818	518
State shared revenue	193,000	193,000	192,902	(98)
Charges for services	36,100	36,100	10,501	(25,599)
Interest income	6,000	6,000	5,275	(725)
Other revenue	2,100	2,100	1,655	(445)
Total revenues and other sources	303,256	303,256	311,314	8,058
Expenditures				
General Government				
Township board	121,188	115,798	87,768	(28,030)
Supervisor (Assessor)	86,331	44,481	44,127	(354)
Elections	5,300	6,300	5,806	(494)
Clerk	18,158	19,668	18,667	(1,001)
Board of review	1,700	1,700	1,381	(319)
Treasurer	21,693	21,693	21,159	(534)
Township hall	23,650	23,650	16,723	(6,927)
Public Safety	-	11,000	10,873	(127)
Public Works				
Cemetery	26,150	32,340	23,562	(8,778)
Roads, highways and street lights	82,395	82,395	77,564	(4,831)
Sanitary landfill	6,000	6,000	5,548	(452)
Other expenditures				
Recreation	5,400	4,400	2,309	(2,091)
Planning and zoning	19,870	19,870	11,688	(8,182)
Total expenditures and other uses	417,835	389,295	327,175	(62,120)
Net change in fund balance	(114,579)	(86,039)	(15,861)	70,178
Fund balance - beginning	354,301	354,301	354,301	-
Fund balance - ending	\$ 239,722	\$ 268,262	\$ 338,440	\$ 70,178

See Accompanying Notes to Financial Statements

Township of Surrey
Required Supplemental Information
Budgetary Comparison Schedule - Library Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
Revenues				
State revenue	\$ 6,200	\$ 4,038	\$ 8,067	\$ 4,029
Property taxes	147,000	130,161	155,551	25,390
County penal fines	39,817	39,817	39,817	-
Charges for services	7,221	7,221	7,221	-
Interest income	800	966	1,176	210
Miscellaneous	500	689	2,147	1,458
Total revenues and other sources	201,538	182,892	213,979	31,087
Expenditures				
Wages and benefits	96,692	107,915	107,192	(723)
Operating supplies	5,000	8,362	8,362	-
Books and periodicals	39,066	38,450	38,450	-
Communications	4,500	2,450	2,342	(108)
Insurance and bonds	9,700	8,650	9,510	860
Utilities	9,425	9,400	8,990	(410)
Repairs and maintenance	5,500	7,000	6,104	(896)
Equipment purchases	14,157	16,500	16,459	(41)
Membership dues	4,608	4,500	4,492	(8)
Training and education	2,500	1,500	1,470	(30)
Miscellaneous	2,500	825	703	(122)
Total expenditures and other uses	193,648	205,552	204,074	(1,478)
Net change in fund balance	7,890	(22,660)	9,905	32,565
Fund balance - beginning	133,784	133,784	133,784	-
Fund balance - ending	\$ 141,674	\$ 111,124	\$ 143,689	\$ 32,565

See Accompanying Notes to Financial Statements

Township of Surrey
Required Supplemental Information
Budgetary Comparison Schedule - Fire Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
Revenues	198,922	198,922	211,388	12,466
Expenditures	198,922	198,922	178,224	(20,698)
Net change in fund balance	-	-	33,164	33,164
Fund balance - beginning	108,526	108,526	108,526	-
Fund balance - ending	<u>\$ 108,526</u>	<u>\$ 108,526</u>	<u>\$ 141,690</u>	<u>\$ 33,164</u>

Township of Surrey
Required Supplemental Information
Budgetary Comparison Schedule - Rubbish Collection Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Budget
	Original	Final	Actual	
Revenues	\$ 104,600	\$ 104,600	\$ 106,308	\$ 1,708
Expenditures	104,600	104,600	79,130	(25,470)
Net change in fund balance	-	-	27,178	27,178
Fund balance - beginning	104,398	104,398	104,398	-
Fund balance - ending	<u>\$ 104,398</u>	<u>\$ 104,398</u>	<u>\$ 131,576</u>	<u>\$ 27,178</u>

Township of Surrey
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>NonMajor Special Revenue Funds</u>		<u>NonMajor Debt Service Funds</u>		Total
	Surrey Lake Improvement Fund	Lake 13 Improvement Fund	Lake 13	Surrey Lake Road	Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	<u>\$ 20,121</u>	<u>\$ 45,401</u>	<u>\$ 21,088</u>	<u>\$ 22,134</u>	<u>\$ 108,744</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	<u>\$ 4,263</u>	<u>\$ 21,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,021</u>
Fund Balance					
Reserved	-	-	21,088	22,134	43,222
Unreserved	<u>15,858</u>	<u>23,643</u>	<u>-</u>	<u>-</u>	<u>39,501</u>
Total fund balance	<u>15,858</u>	<u>23,643</u>	<u>21,088</u>	<u>22,134</u>	<u>82,723</u>
Total liabilities and fund balance	<u>\$ 20,121</u>	<u>\$ 45,401</u>	<u>\$ 21,088</u>	<u>\$ 22,134</u>	<u>\$ 108,744</u>

Township of Surrey
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	NonMajor Special Revenue Funds			NonMajor Debt Service Funds		Total Nonmajor Governmental Funds
	Surrey Lake Improvement Fund	Lake 13 Improvement Fund	Liquor Law Enforcement Fund	Lake 13	Surrey Lake Road	
Revenues						
State revenue	\$ -	\$ -	\$ 1,807	\$ -	\$ -	\$ 1,807
Special assessments	-	-	-	20,975	17,135	38,110
Charges for services	14,875	31,111	-	-	-	45,986
Interest income	61	236	-	70	89	456
Total revenues and other financing sources	14,936	31,347	1,807	21,045	17,224	86,359
Expenditures						
Surrey lake improvement	15,690	-	-	-	-	15,690
Lake 13 improvement	-	28,012	-	-	-	28,012
Building construction costs	-	-	-	-	-	-
Liquor law enforcement	-	-	1,807	-	-	1,807
Debt service						
Principal redemption	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	15,690	28,012	1,807	-	-	45,509
Net change in fund balance	(754)	3,335	-	21,045	17,224	40,850
Fund balance - beginning	16,612	20,308	-	43	4,910	41,873
Fund balance - ending	\$ 15,858	\$ 23,643	\$ -	\$ 21,088	\$ 22,134	\$ 82,723

See Accompanying Notes to Financial Statements

Township of Surrey
General Fund
Detail Statement of Revenues
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Taxes		
Current property taxes	\$ 52,312	\$ 48,103
Swamp land tax	347	347
Administration fees	39,304	32,466
Special assessments	6,200	7,112
	<u>98,163</u>	<u>88,028</u>
Total taxes		
Licenses and permits		
Zoning permits	2,438	3,028
Land division applications	380	520
	<u>2,818</u>	<u>3,548</u>
Total licenses and permits		
State revenue		
State right of way sharing	4,093	3,395
State shared revenue	188,809	197,817
	<u>192,902</u>	<u>201,212</u>
Total state revenue		
Charges for services		
Copies	122	160
Cemetery lots	2,270	2,975
Cemetery foundations	1,059	1,790
Cemetery openings	3,845	4,875
Miscellaneous	3,205	-
	<u>10,501</u>	<u>9,800</u>
Total charges for services		

See Accompanying Notes to Financial Statements

Township of Surrey
General Fund
Detail Statement of Revenues
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Interest income	<u>5,275</u>	<u>6,063</u>
Other revenue		
Rents and royalties	725	685
Reimbursements	-	10
Miscellaneous	<u>930</u>	<u>4,673</u>
Total other revenue	<u>1,655</u>	<u>5,368</u>
Total revenues	<u><u>\$ 311,314</u></u>	<u><u>\$ 314,019</u></u>

See Accompanying Notes to Financial Statements

Township of Surrey
General Fund
Detail Analysis of Expenditures
For the Years Ended June 30, 2005 and 2004

	2005	2004
Township Board		
Salaries and wages	\$ 4,948	\$ 4,948
Clerical	14,588	14,288
Retirement fund contribution	8,170	7,259
Payroll taxes	10,179	7,280
Operating supplies	244	944
Postage and office supplies	10,793	11,220
Auditing fees	5,710	9,000
Legal fees	3,397	3,011
Communications	2,645	3,651
Transportation	456	439
Printing and publishing	2,085	1,423
Insurance and bonds	4,270	2,911
Repairs and maintenance	6,372	8,554
Membership and dues	30	1,626
Equipment rental	1,368	12
Education and training	1,087	680
Miscellaneous	11,426	7,658
Total township board	87,768	84,904
Supervisor (Assessor)		
Salaries and wages	8,440	8,440
Assessor	35,241	29,217
Transportation	217	125
Printing and publishing	229	-
Maintenance	-	41
Total supervisor (assessor)	44,127	37,823

See Accompanying Notes to Financial Statements

Township of Surrey
General Fund
Detail Analysis of Expenditures
For the Years Ended June 30, 2005 and 2004

	2005	2004
Elections		
Salaries and wages	4,610	-
Office supplies	847	354
Transportation	349	59
Total elections	5,806	413
Clerk		
Salaries and wages	18,667	22,344
Board of review		
Salaries and wages	840	1,153
Transportation	98	-
Printing and publishing	143	(100)
Education and training	300	-
Total board of review	1,381	1,053
Treasurer		
Salaries and wages	21,159	20,683
Township hall		
Salaries and wages	3,840	3,988
Operating supplies	542	15
Electricity	2,181	2,253
Gas	2,805	2,638
Water	419	399
Repairs and maintenance	598	450
Building and equipment	2,485	2,966
Insurance	3,829	3,087
Miscellaneous	24	4,538
Total township hall	16,723	20,334

See Accompanying Notes to Financial Statements

Township of Surrey
General Fund
Detail Analysis of Expenditures
For the Years Ended June 30, 2005 and 2004

	2005	2004
Cemetery		
Salaries and wages	11,452	13,457
Operating supplies	1,503	1,139
Printing and publishing	-	46
Insurance and bonds	934	1,544
Electricity	244	210
Building	5,969	10,717
Gas	252	196
Repairs and maintenance	2,402	5,209
Miscellaneous	166	279
Equipment	297	-
Gas and oil	343	247
Total cemetery	23,562	33,044
Public safety		
Siren system	-	15,600
Police	10,873	-
Total public safety	10,873	15,600
Roads, highways and street lights		
Contracted services	17,100	13,143
Public utilities	35	78
Repairs and maintenance	60,429	136,033
Total roads, highways and street lights	77,564	149,254
Sanitary landfill		
Maintenance	5,548	5,098
Recreation		
Recreation	2,309	2,115

See Accompanying Notes to Financial Statements

Township of Surrey
General Fund
Detail Analysis of Expenditures
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Planning and zoning		
Labor	7,519	7,203
Legal	2,512	6,532
Printing and publishing	1,074	1,167
Transportation	282	176
Contractual services	-	2,529
Enforcement costs	-	7
Education and training	301	169
Total planning and zoning	<u>11,688</u>	<u>17,783</u>
Total expenditures	327,175	410,448
Other financing uses		
Transfers to other funds	-	16,466
Total expenditures and other financing uses	<u><u>\$ 327,175</u></u>	<u><u>\$ 426,914</u></u>

Township of Surrey
Fire Protection Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Years Ended June 30, 2005 and 2004

	2005	2004
Revenues		
Property taxes	\$ 175,756	\$ 165,043
Equipment sales	-	150
Charges for services	32,749	31,282
Interest income	728	734
Grants	-	47,106
Donations	1,072	1,000
Miscellaneous	1,083	853
	<hr/>	<hr/>
Total revenues	211,388	246,168
	<hr/>	<hr/>
Other financing sources		
Loan proceeds	-	205,911
	<hr/>	<hr/>
Total revenues and other financing sources	211,388	452,079
	<hr/>	<hr/>
Expenditures		
Wages and benefits	45,644	46,272
Office supplies	1,877	1,099
Operating supplies	4,748	2,775
Oil and gas	3,699	2,300
Communication	2,748	2,494
Insurance	16,760	13,256
Repairs and maintenance	25,662	32,799
Equipment	8,867	63,496
Dues	175	75
Utilities	5,132	5,033
Audit	500	200
Legal	306	513

See Accompanying Notes to Financial Statements

Township of Surrey
Fire Protection Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Years Ended June 30, 2005 and 2004

	2005	2004
Transportation	597	66
Miscellaneous	1,754	791
Education and training	2,901	1,867
Publishing and printing	149	45
Firemen's physicals	3,790	2,090
Fire contingency	7,315	-
Debt payments	39,083	258,917
Interest	6,517	14,356
	<hr/>	<hr/>
Total expenditures	178,224	448,444
	<hr/>	<hr/>
Other financing uses		
Transfer to capital projects fund	-	16,466
	<hr/>	<hr/>
Total expenditures and other financing uses	178,224	464,910
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	33,164	(12,831)
	<hr/>	<hr/>
Fund balance - beginning	108,526	121,357
	<hr/>	<hr/>
Fund balance - ending	\$ 141,690	\$ 108,526
	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Financial Statements

Township of Surrey
Rubbish Collection Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Charges for services	\$ 105,525	\$ 104,832
Interest income	<u>783</u>	<u>625</u>
Total revenues	<u>106,308</u>	<u>105,457</u>
Expenditures		
Wages and benefits	544	-
Transfer station contractual	75,610	68,317
Office supplies	50	-
Printing and publishing	1,933	1,782
Insurance	1	1,743
Repair and maintenance	<u>992</u>	<u>2,292</u>
Total expenditures	<u>79,130</u>	<u>74,134</u>
Excess of revenues over expenditures	27,178	31,323
Fund balance - beginning	<u>104,398</u>	<u>73,075</u>
Fund balance - ending	<u><u>\$ 131,576</u></u>	<u><u>\$ 104,398</u></u>

See Accompanying Notes to Financial Statements

Township of Surrey
Fiduciary Fund
Tax Collection Fund
Statement of Changes Fiduciary Assets and Liabilities
June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Assets				
Cash	\$ 10,292	\$ 2,442,179	\$ 2,451,754	\$ 717
Liabilities				
Due to other governmental units	\$ 10,292	\$ 2,442,179	\$ 2,451,754	\$ 717



To The Township Board
Surrey Township
Clare County, Michigan

In planning and performing our audit of the financial statements of Surrey Township for the year ended June 30, 2005, we considered the Township's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 3, 2005, on the financial statements of Surrey Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Yeo & Yeo, P.C.

Midland, Michigan
August 3, 2005

PAYROLL CONTRACTS

During our payroll testing, we tested several payroll transactions for properly authorized pay rates. No documentation was available to verify pay rates. This lack of written documentation could lead to discrepancies.

Recommendation

We recommend maintaining documentation in employee's file, which will list the current rate of pay and this form to be signed by the appropriate level of management and the employee; or authorized pay rates to be approved and noted in the Board minutes.

This recommendation has been implemented immediately after our discussion with management.

LIBRARY DISBURSEMENTS

During our disbursements testing we have noted that library disbursements are not always supported with complete documentation, which creates difficulty in correctly recording the disbursement.

Recommendation

Supporting documentation (vendor's invoice, receiving report, etc.) is necessary documentation, which is required to be maintained as a proof of purchase for goods or services. Also since the library is a component of Townships regular operations every disbursement should be supported by adequate documentation.

CREDIT CARD USAGE

Currently there are several employees who have Township's credit cards. The monthly credit card statements are not reviewed for reasonableness and accuracy by the Township Board.

Recommendation

Monthly credit card statements should be reviewed for reasonableness by the Township board and the approval should be noted on the statements or in the Board minutes. This procedure would reduce the potential for possible credit card abuse.

PETTY CASH

The Township does not record the petty cash account in the accounting records and does not track reimbursements and replenishments of petty cash.

Recommendation

To properly account for the Township's assets, petty cash should be recorded in the accounting records. Also any reimbursements for petty cash should be accompanied by a receipt or appropriate supporting documentation.